

LAINGSBURG COMMUNITY SCHOOLS

LAINGSBURG, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management's Discussion and Analysis	II – VIII
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Statement of Changes in Fiduciary Net Assets	6
Budgetary Comparison Schedules:	
General Fund	7
Notes to the Financial Statements	8 – 19
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Other Governmental Funds	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	21
Combining Balance Sheet – Special Revenue Funds	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds	23
Combining Balance Sheet – Debt Retirement Funds	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Retirement Funds	25
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues and Other Financing Sources	26
Schedule 2 - General Fund - Schedule of Expenditures and Other Financing Uses	27 – 30
Other Supplemental Schedules:	
Schedule 3 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	31 – 33
Schedule 4 - Private Purpose Trust Funds – Statement of Revenue and Expenditures – Scholarship Funds	34
Schedule 5 - Schedule of Bond Principal and Interest Requirements	35 – 36
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37 – 38



Lewis & Knopf CPAs, PC

Serving You with Trust and Integrity

October 9, 2008

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Laingsburg Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laingsburg Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Laingsburg Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Laingsburg Community Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008 on our consideration of the Laingsburg Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laingsburg Community Schools' basic financial statements. The additional information on pages 20 - 39, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOPE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Laingsburg Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

District Wide Financial Statements: (Continued)

These two statements report the Laingsburg Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreased in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2008 and 2007:

	<u>NET ASSETS SUMMARY</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets	\$3,722,727	\$3,756,162
Non-Current Assets	<u>18,544,551</u>	<u>19,113,016</u>
<u>TOTAL ASSETS</u>	<u>\$22,267,278</u>	<u>\$22,869,178</u>
<u>LIABILITIES</u>		
Current Liabilities	\$5,386,808	\$5,055,944
Long-Term Liabilities	<u>22,318,862</u>	<u>23,006,646</u>
Total Liabilities	<u>\$27,705,670</u>	<u>\$28,062,590</u>
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	805,016	507,324
Restricted - Debt Service	259,724	407,673
Restricted - Capital Projects	194,270	105,193
Unrestricted (Deficit)	<u>(6,697,402)</u>	<u>(6,213,602)</u>
Total Net Assets (Deficit)	<u>(\$5,438,392)</u>	<u>(\$5,193,412)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$22,267,278</u>	<u>\$22,869,178</u>

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2008 and 2007, the District wide results of operations were:

	<u>2008</u>	<u>2007</u>
REVENUES		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$363,930	\$324,837
Property Taxes Levied for Debt Service	1,609,269	1,513,888
Property Taxes Levied for Capital Projects	183,983	0
State of Michigan Unrestricted Foundation Aid	8,611,958	8,821,568
Other General Revenues	<u>140,019</u>	<u>162,592</u>
Total General Revenues	\$10,909,159	\$10,822,885
<u>Operating Grants:</u>		
Federal	297,482	235,735
State of Michigan	246,588	258,564
Other Operating Grants	<u>90,857</u>	<u>97,572</u>
Total Operating Grants	\$634,927	\$591,871
<u>Charges for Services:</u>		
Food Service	200,871	212,859
Athletics	64,729	62,104
Other Charges for Services	<u>140,101</u>	<u>157,736</u>
Total Charges for Services	\$405,701	\$432,699
Total Revenues	\$11,949,787	\$11,847,455
<u>EXPENSES</u>		
Instruction & Instructional Support	6,249,167	6,260,258
Support Services	3,407,128	3,090,258
Community Services	133,109	193,882
Food Service	376,814	365,408
Athletics	278,570	271,486
Interest on Long-Term Debt	1,191,641	2,599,587
Depreciation	<u>558,338</u>	<u>554,956</u>
Total Expenses	\$12,194,767	\$13,335,835
<u>(DECREASE) IN NET ASSETS</u>	(\$244,980)	(\$1,488,380)
BEGINNING NET ASSETS (DEFICIT) - AS RESTATED	<u>(5,193,412)</u>	<u>(3,705,032)</u>
<u>ENDING NET ASSETS (DEFICIT)</u>	<u><u>(\$5,438,392)</u></u>	<u><u>(\$5,193,412)</u></u>

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2008, the District's Total Net Assets decreased by \$244,980 to a total of \$(5,438,392). The largest portion of the net assets are the District's investment in capital assets. Net assets invested in capital assets net of related debt increased by \$297,692 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The deficit in unrestricted net assets is due in part to the loan balance in the Michigan School Bond Loan Fund. The District's unrestricted net assets decreased by \$483,800 during the year and the restricted portion of the net assets decreased by \$58,872. The restricted net assets consist of restricted debt retirement funds and capital projects and may only be used to pay bonded debt and capital project expenditures. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District's overall expenses exceeded its revenues for the year by \$244,980. The total revenues increased by \$102,332 over last years amounts. The major change in revenue was primarily due to an increase in property taxes. Expenses decreased by \$1,141,068 over last year. The major change was due to increases in personnel costs and decreases in interest expense.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The District's general fund is the chief operating fund of the District. Unreserved fund balance for the general fund decreased by \$100,244 during the year with the decrease coming primarily in cash. Revenues for the year decreased by \$165,380 primarily from decreases in state aid. Expenditures and other financing uses decreased by \$63,476 due to a significant spending freeze. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy.

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Laingsburg Community Schools foundation allowance was \$7,204 per student for the 2007-2008 school year.

3. Student Enrollment:

The District's 2007-08 blended student enrollment for state aid purposes was 1,265 students. A decrease of 39 students from the prior year.

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2007-2008 fiscal year was \$377,182. An increase of \$28,726 from the prior year.

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$9,805,141	\$9,683,127	\$9,738,380	1.24%	0.57
Expenditures	10,028,169	9,847,912	9,838,624	1.80%	0.09
TOTAL	(\$223,028)	(\$164,785)	(\$100,244)		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget during the school year. The June, 2008 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

Significant changes between original and final budget was due to a larger decline in student enrollment than was projected.

Expenditures

A spending freeze initiated in October of 2007 combined with numerous unpaid leaves of absence as well as benefits from more fuel efficient heating at the high school due to boiler replacement and repiping/modification. Labor contracts came in lower than expected.

Actual Results vs. Final Budgets

Revenues and Expenditures

There were no significant variations between the final budget and actual.

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-1-07	Increases 6-30-08	Principal Payments 6-30-08	Principal Balance 6-30-08
General Obligation Bonds	\$18,515,000	\$0	\$955,000	\$17,560,000
Durant Bonds	33,897	0	0	33,897
Capital Lease	56,795	144,158	55,315	145,638
Michigan School Bond Loan Fund	5,384,352	178,485	0	5,562,837
<u>Total Long-Term Debt</u>	<u>\$23,990,044</u>	<u>\$322,643</u>	<u>\$1,010,315</u>	<u>\$23,302,372</u>

Major debt activity for the year included:

The District entered into a capital lease with Apple Computer on July 25, 2005. The lease calls for annual payments of \$28,398 including interest at 6.7% per annum for a period of four years. The balance at June 30, 2007 was \$56,795. The District signed another lease for an amount of \$200,953 to include the prior lease of \$56,795 as of July 13, 2007. The new lease calls for annual payments of \$55,315 including interest at 6.62% per annum for a period of four years. The balance at June 30, 2008 was \$145,638.

B. Capital Assets

The District's net investment in capital assets decreased by \$625,630 during the fiscal year. This can be summarized as follows:

	Balance 7-1-07	Additions	Deductions	Balance 6-30-08
Capital Assets	\$26,111,455	\$123,621	\$0	\$26,235,076
Less: Accumulated Depreciation	(6,998,439)	(692,086)	0	(7,690,525)
<u>Net Investment Capital Outlay</u>	<u>\$19,113,016</u>	<u>(\$568,465)</u>	<u>\$0</u>	<u>\$18,544,551</u>

Significant addition was the purchase of a bus.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,316 per pupil for the 08-09 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 16.54% from 16.72% in 07-08.

* Enrollment

Anticipated enrollment for the 2008-2009 year is 1,250.

* The Laingsburg Community Schools 2008/2009 adopted budget is as follows:

REVENUE	\$9,682,651
EXPENDITURES	<u>9,782,011</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$99,360)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT'S

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Laingsburg Community Schools.

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,983,284
Accounts Receivable	19,275
Due from Other Governmental Units	1,713,862
Inventory	6,306
Total Current Assets	<u>\$3,722,727</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	26,235,076
Less: Accumulated Depreciation	<u>(7,690,525)</u>
Total Noncurrent Assets	<u>\$18,544,551</u>
<u>TOTAL ASSETS</u>	<u>\$22,267,278</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	54,092
State Aid Note Payable	1,500,000
Salaries Payable	990,520
Accrued Expenses	1,823,060
Deferred Revenue	35,626
Current Portion of Long-Term Obligations	983,510
Total Current Liabilities	<u>\$5,386,808</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>22,318,862</u>
<u>TOTAL LIABILITIES</u>	<u>\$27,705,670</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	805,016
Restricted for:	
Debt Retirement	259,724
Capital Projects	194,270
Unrestricted (Deficit)	<u>(6,697,402)</u>
Total Net Assets (Deficit)	<u>(\$5,438,392)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$22,267,278</u>

See accompanying notes to the basic financial statements.

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$6,249,167	\$0	\$425,373	(\$5,823,794)
Support Services	3,407,128	21,847	96,598	(3,288,683)
Community Services	133,109	118,254	0	(14,855)
Food Service	376,814	200,871	112,956	(62,987)
Athletics	278,570	64,729	0	(213,841)
Interest - Long-Term Obligations	1,191,641	0	0	(1,191,641)
Depreciation - Unallocated	558,338	0	0	(558,338)
<u>TOTALS</u>	<u>\$12,194,767</u>	<u>\$405,701</u>	<u>\$634,927</u>	<u>(\$11,154,139)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,157,182
State Aid				8,611,958
Investment Earnings				40,362
Miscellaneous				99,657
Total General Revenues and Transfers				<u>\$10,909,159</u>
Change in Net Assets				(\$244,980)
Net Assets - Beginning (Deficit) - As Restated				<u>(5,193,412)</u>
<u>Net Assets - Ending (Deficit)</u>				<u>(\$5,438,392)</u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$1,527,290	\$455,994	\$1,983,284
Accounts Receivable	19,275	0	19,275
Due from Other Governmental Units	1,710,551	3,311	1,713,862
Due from Other Funds	2,000	0	2,000
Inventory	0	6,306	6,306
<u>TOTAL ASSETS</u>	<u>\$3,259,116</u>	<u>\$465,611</u>	<u>\$3,724,727</u>
<u>LIABILITIES</u>			
Accounts Payable	\$47,473	\$6,619	\$54,092
State Aid Note Payable	1,500,000	0	1,500,000
Due to Other Funds	0	2,000	2,000
Salaries Payable	990,520	0	990,520
Accrued Expenses	82,335	2,998	85,333
Deferred Revenue	35,626	0	35,626
Total Liabilities	\$2,655,954	\$11,617	\$2,667,571
<u>FUND BALANCES</u>			
Reserved For:			
Debt Retirement	0	259,724	259,724
Capital Projects	0	194,270	194,270
Unreserved:			
Undesignated, Reported In:			
General Fund	603,162	0	603,162
Total Fund Balances	\$603,162	\$453,994	\$1,057,156
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$3,259,116</u>	<u>\$465,611</u>	<u>\$3,724,727</u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2008

Total Governmental Fund Balances:	\$1,057,156
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$26,235,076 and the accumulated depreciation is \$7,690,525	18,544,551
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Accrued Interest on Long-Term Deb	(1,737,727)
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as
liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	17,593,897	
Capital Lease	145,638	
Michigan School Bond Loan	5,562,837	
Total Long-Term Liabilities	<u>(23,302,372)</u>	

<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>(\$5,438,392)</u>
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LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$598,355	\$2,098,451	\$2,696,806
State Sources	8,840,941	17,605	8,858,546
Federal Sources	202,131	95,351	297,482
Total Revenues	<u>\$9,641,427</u>	<u>\$2,211,407</u>	<u>\$11,852,834</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	6,200,740	0	6,200,740
Student Services	297,839	0	297,839
Instructional Support	215,546	0	215,546
General Administration	251,764	0	251,764
School Administration	623,959	0	623,959
Business Administration	315,562	0	315,562
Operation & Maintenance	1,081,130	0	1,081,130
Transportation	494,191	0	494,191
Other Support Services	5,385	0	5,385
Community Services	133,109	0	133,109
Food Service and Athletics	0	626,137	626,137
Debt Retirement	0	1,763,085	1,763,085
Capital Outlay	0	96,476	96,476
Total Expenditures	<u>\$9,619,225</u>	<u>\$2,485,698</u>	<u>\$12,104,923</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$22,202	(\$274,291)	(\$252,089)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(215,419)	215,419	0
Other Transfers	92,973	0	92,973
Total Other Financing Sources (Uses)	<u>(\$122,446)</u>	<u>\$215,419</u>	<u>\$92,973</u>
Net Change in Fund Balance	(\$100,244)	(\$58,872)	(\$159,116)
<u>FUND BALANCE - BEGINNING - AS RESTATED</u>	<u>703,406</u>	<u>512,866</u>	<u>1,216,272</u>
<u>FUND BALANCE - ENDING</u>	<u>\$603,162</u>	<u>\$453,994</u>	<u>\$1,057,156</u>

See accompanying notes to the basic financial statements.

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds	(\$159,116)
--	-------------

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(568,465)
--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	1,010,315
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(Increase) in Michigan School Bond Loan Fund	(178,485)
--	-----------

Loan Proceeds	(144,158)
---------------	-----------

Change in accrued interest on long-term liabilities	<u>(205,071)</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$244,980)</u></u>
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LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2008

	Agency Funds	Private Purpose Trusts	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$133,324	\$45,993	\$179,317
Accounts Receivable	0	51	51
<u>TOTAL ASSETS</u>	\$133,324	\$46,044	\$179,368
<u>LIABILITIES</u>			
Due to Student Groups	133,324	0	133,324
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$46,044</u>	<u>\$46,044</u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trusts</u>
<u>REVENUE</u>	
Interest	\$3,327
Donations	<u>300</u>
Total Revenue	\$3,627
<u>EXPENDITURES</u>	
Scholarships	<u>1,500</u>
<u>CHANGE IN NET ASSETS</u>	\$2,127
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>43,917</u>
<u>NET ASSETS - END OF YEAR</u>	<u><u>\$46,044</u></u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$535,595	\$534,676	\$598,355	\$63,679
State Sources	8,965,344	8,867,732	8,840,941	(26,791)
Federal Sources	162,699	177,472	202,131	24,659
Total Revenues	<u>\$9,663,638</u>	<u>\$9,579,880</u>	<u>\$9,641,427</u>	<u>\$61,547</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	6,319,226	6,125,782	6,200,740	(74,958)
Student Services	288,024	298,026	297,839	187
Instructional Support	204,419	228,986	215,546	13,440
General Administration	240,136	284,292	251,764	32,528
School Administration	601,015	619,297	623,959	(4,662)
Business Administration	311,979	253,793	315,562	(61,769)
Operation & Maintenance	1,140,577	1,106,800	1,081,130	25,670
Transportation	490,354	502,090	494,191	7,899
Other Support Services	8,593	7,988	5,385	2,603
Community Services	171,798	145,054	133,109	11,945
Total Expenditures	<u>\$9,776,121</u>	<u>\$9,572,108</u>	<u>\$9,619,225</u>	<u>(\$47,117)</u>
Excess of Revenues Over (Under) Expenditures	<u>(\$112,483)</u>	<u>\$7,772</u>	<u>\$22,202</u>	<u>\$14,430</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(110,545)</u>	<u>(172,557)</u>	<u>(122,446)</u>	<u>50,111</u>
Net Change in Fund Balance	<u>(\$223,028)</u>	<u>(\$164,785)</u>	<u>(\$100,244)</u>	<u>\$64,541</u>
<u>FUND BALANCE - BEGINNING</u>			<u>703,406</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$603,162</u>	

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Laingsburg Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Sinking Fund

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

Expendable Trust Funds – The expendable trust funds consists of the following funds:

Margaret Scoutten Scholarship Fund – This fund is used to account for funds entrusted to the School District for scholarship awards.

Raymond O. Nash Memorial Fund – This fund is used to account for funds entrusted to the School District for scholarship awards.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$10,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	8 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

Accumulated unpaid sick pay and personal days are not accrued by the School District. Substantially all District employees are allowed to accumulate a limited number of sick days; however, these days do not vest to the employee and are not payable upon termination.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2008, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2008, the District had no investments.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$1,998,708 of the District's bank balance of \$2,458,671 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$179,317	\$ 2,162,601
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The above amounts are reported in the financial statements as follows:

Cash – Agency Fund	\$ 179,317
Cash – District Wide	<u>1,983,284</u>
 <u>TOTAL</u>	 <u>\$ 2,162,601</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2008, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,609,917
Federal Grants	38,879
Other Grants	<u>65,066</u>
 <u>TOTAL</u>	 <u>\$ 1,713,862</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2008, the District had estimated claims payable of \$10,634 in conjunction with the program.

LAINGSBURG COMMUNITY SCHOOLS – LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

8) SHORT-TERM DEBT

The District borrowed \$1,500,000 at 3.68% interest per annum on August 20, 2007, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 20, 2008.

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
State Aid Note Payable	\$1,400,000	\$1,500,000	\$1,400,000	\$1,500,000

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
GOVERNMENTAL ACTIVITIES				
Buildings and Improvements	\$21,799,308	\$0	\$0	\$21,799,308
Land Improvements	1,929,695	15,295	0	1,944,990
Equipment and Furniture	1,499,634	43,077	0	1,542,711
Vehicles	882,818	65,249	0	948,067
Totals at Historical Cost	\$26,111,455	\$123,621	\$0	\$26,235,076
Less: Accumulated Depreciation				
Buildings and Improvements	(4,397,023)	(452,805)	0	(4,849,828)
Land Improvements	(882,070)	(96,485)	0	(978,555)
Equipment and Furniture	(951,488)	(107,652)	0	(1,059,140)
Vehicles	(767,858)	(35,144)	0	(803,002)
Total Accumulated Depreciation	(\$6,998,439)	(\$692,086)	\$0	(\$7,690,525)
GOVERNMENTAL ACTIVITIES				
<u>CAPITAL ASSETS - NET</u>	<u>\$19,113,016</u>	<u>(\$568,465)</u>	<u>\$0</u>	<u>\$18,544,551</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as “unallocated”. Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 48,427
Support Services	56,074
Food Service	7,323
Athletics	21,924
Unallocated	558,338
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 692,086</u>

10) SELF INSURANCE POOL

The school district participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the school district may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2008 were \$39,122 and the school district received a dividend refund of \$5,271.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

11) GENERAL LONG-TERM DEBT

A) 1996 Refunding Bonds

Laingsburg Community Schools issued the 1991 General Obligation Bonds to provide funds for the acquisition, construction and improvement of major capital facilities. In 1996, a refunding bond was issued to be used to redeem the bonds and interest due on the 1991 bond issue from the years 2002 through 2008. The bonds were paid in full during the year.

B) 1998 Durant Resolution Package Bonds

Laingsburg Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$57,409 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The bonds are scheduled to mature in 2013. The balance at June 30, 2008 was \$33,897.

C) 2001 School Building and Site Bonds

Laingsburg Community Schools issued 2001 School Building and Site Bonds dated August 1, 2001, in the amount of \$14,600,000, bearing interest at rates varying from 2.85% to 4.45% per annum and mature in 2011. The District issued these bonds to remodel, refurbish, and re-equip schools; as well as erect, furnish and equip a new middle school. The balance of the bonds as of June 30, 2008 was \$1,375,000.

D) 2005 Refunding Bonds

On July 19, 2005, the District issued \$8,375,000 of General Obligation – Unlimited Tax Bonds, Series 2005 Refunding Bonds with an average interest of 3.82%. The bonds consist of serial bonds bearing various interest rates ranging from 3.0% to 4.25% with annual maturities from November 2005 through November 2026. The balance of the bonds as of June 30, 2008 was \$8,190,000.

E) 2006 Refunding Bonds

On February 15, 2006, the District issued \$8,265,000 of General Obligation – Unlimited Tax Bonds, Series 2006 Refunding Bonds with an average interest of 4.37%. The bonds consist of serial bonds bearing various interest rates ranging from 4.0% to 5.0% with annual maturities from November 2006 through November 2031. The balance of the bonds as of June 30, 2008 was \$7,995,000.

As of June 30, 2008, \$8,210,000 of the defeased debt remained outstanding in the custody of the escrow agent.

F) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$178,485 has been assessed for the year ended June 30, 2008, and is included in the amount owing the State at that date. The principal balance as of June 30, 2008 was \$5,562,837.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

11) GENERAL LONG-TERM DEBT (Continued)

G) Capital Lease

The District entered into a capital lease with Apple Computer on July 25, 2005. The lease calls for annual payments of \$28,398 including interest at 6.7% per annum for a period of four years. The balance at June 30, 2007 was \$56,795. The District signed another lease for an amount of \$200,953 to include the prior lease of \$56,795 as of July 13, 2007. The new lease calls for annual payments of \$55,315 including interest at 6.62% per annum for a period of four years. The balance at June 30, 2008 was \$145,638.

H) Annual Principal Requirements

The annual principal requirements for all debt outstanding as of June 30, 2008 are as follows:

	Bonds Payable	Capital Lease	MI School Bond Loan	Interest	Total
June 30, 2009	\$928,195	\$55,315	\$0	\$1,329,162	\$2,312,672
June 30, 2010	949,675	55,315	0	1,317,987	2,322,977
June 30, 2011	958,506	35,008	0	1,246,080	2,239,594
June 30, 2012	488,673	0	0	632,144	1,120,817
June 30, 2013	978,848	0	0	608,844	1,587,692
June 30, 2014-2018	4,900,000	0	0	2,378,300	7,278,300
June 30, 2019-2023	4,070,000	0	0	1,370,225	5,440,225
June 30, 2024-2028	2,745,000	0	0	684,864	3,429,864
June 30, 2029-2031	1,575,000	0	0	137,156	1,712,156
Thereafter	0	0	5,562,837	0	5,562,837
<u>TOTAL</u>	<u>\$17,593,897</u>	<u>\$145,638</u>	<u>\$5,562,837</u>	<u>\$9,704,762</u>	<u>\$33,007,134</u>

The interest expenditures on long-term obligations for the year were \$806,863.

I) Changes in General Long-Term Debt

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due in One Year
Governmental Activities:					
General Obligation Bonds	\$18,515,000	\$0	\$955,000	\$17,560,000	\$925,000
Durant Bonds	33,897	0	0	33,897	3,195
Capital Lease	56,795	144,158	55,315	145,638	55,315
MI School Bond Loan Fund	5,384,352	178,485	0	5,562,837	0
<u>Total Governmental Activities</u>	<u>\$23,990,044</u>	<u>\$322,643</u>	<u>\$1,010,315</u>	<u>\$23,302,372</u>	<u>\$983,510</u>

12) FUND BALANCE AND NET ASSETS RESTATEMENT

The beginning fund balance was restated as follows:

Beginning Net Assets	(\$3,958,439)
Adjustments Due to:	
Capital Project Fund not Included in Prior Year	105,193
Accrued Interest not Included in balance on MI School Bond Loan Fund	<u>(1,340,166)</u>
<u>ENDING NET ASSETS - AS RESTATED</u>	<u>(\$5,193,412)</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2008 consisted of the following:

DUE FROM	
DUE TO	General Fund
Athletics	\$2,000

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfers From	
Transfers To	General Fund
Food Service	\$23,864
Athletics	191,555
<u>TOTAL</u>	<u>\$215,419</u>

These transfers were made to subsidize the cost of services for athletics and food service.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2008, 2007 and 2006 were \$989,880, \$1,030,165 and \$915,063, respectively.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

15) DEFINED BENEFIT PENSION PLAN (Continued)

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

Federal Programs

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor agencies. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2008, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENTS

On August 20, 2008 the District borrowed \$1,600,000 at 2.30% per annum from Wells Fargo Bank on a State Aid Anticipation Note. The note proceeds will be used to meet cash flow needs for the 2008-2009 fiscal year.

OTHER SUPPLEMENTAL
INFORMATION

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	School Service Funds	Debt Retirement Funds	Capital Projects Sinking Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$2,000	\$259,724	\$194,270	\$455,994
Due from Other Governmental Units	3,311	0	0	3,311
Inventory	6,306	0	0	6,306
<u>TOTAL ASSETS</u>	<u>\$11,617</u>	<u>\$259,724</u>	<u>\$194,270</u>	<u>\$465,611</u>
<u>LIABILITIES</u>				
Accounts Payable	\$6,619	\$0	\$0	\$6,619
Due to Other Funds	2,000	0	0	2,000
Accrued Expenses	2,998	0	0	2,998
Total Liabilities	\$11,617	\$0	\$0	\$11,617
<u>FUND BALANCES</u>				
Reserved For:				
Debt Retirement	0	259,724	0	259,724
Capital Projects	0	0	194,270	194,270
Total Fund Balances	\$0	\$259,724	\$194,270	\$453,994
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$11,617</u>	<u>\$259,724</u>	<u>\$194,270</u>	<u>\$465,611</u>

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	School Service Funds	Debt Retirement Funds	Capital Projects Sinking Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$297,762	\$1,615,136	\$185,553	\$2,098,451
State Sources	17,605	0	0	17,605
Federal Sources	95,351	0	0	95,351
Total Revenues	<u>\$410,718</u>	<u>\$1,615,136</u>	<u>\$185,553</u>	<u>\$2,211,407</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers from Other Funds	215,419	0	0	215,419
Total Revenues & Other Financing Sources	<u>\$626,137</u>	<u>\$1,615,136</u>	<u>\$185,553</u>	<u>\$2,426,826</u>
<u>EXPENDITURES</u>				
Food Service and Athletics	626,137	0	0	626,137
Debt Retirement	0	1,763,085	0	1,763,085
Capital Outlay				
Building Construction	0	0	78,649	78,649
Purchased Services	0	0	17,827	17,827
Total Expenditures	<u>\$626,137</u>	<u>\$1,763,085</u>	<u>\$96,476</u>	<u>\$2,485,698</u>
Net Change in Fund Balance	<u>\$0</u>	<u>(\$147,949)</u>	<u>\$89,077</u>	<u>(\$58,872)</u>
<u>NET ASSETS - BEGINNING</u>	<u>0</u>	<u>407,673</u>	<u>105,193</u>	<u>512,866</u>
<u>NET ASSETS - ENDING</u>	<u><u>\$0</u></u>	<u><u>\$259,724</u></u>	<u><u>\$194,270</u></u>	<u><u>\$453,994</u></u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2008

	<u>Food Service</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$0	\$2,000	\$2,000
Due from Other Governmental Units	3,311	0	3,311
Inventory	6,306	0	6,306
<u>TOTAL ASSETS</u>	<u>\$9,617</u>	<u>\$2,000</u>	<u>\$11,617</u>
<u>LIABILITIES</u>			
Accounts Payable	\$6,619	\$0	\$6,619
Due to Other Funds	0	2,000	2,000
Accrued Expenses	2,998	0	2,998
<u>TOTAL LIABILITIES</u>	<u>\$9,617</u>	<u>\$2,000</u>	<u>\$11,617</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Food Service</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$200,871	\$0	\$200,871
Athletic Activities	0	64,729	64,729
Other Local Sources	31,800	362	32,162
Total Local Sources	<u>\$232,671</u>	<u>\$65,091</u>	<u>\$297,762</u>
<u>State Sources</u>			
State Reimbursements	17,605	0	17,605
<u>Federal Sources</u>			
Federal Reimbursements	72,364	0	72,364
Commodities	22,987	0	22,987
Total Federal Sources	<u>\$95,351</u>	<u>\$0</u>	<u>\$95,351</u>
Total Revenues	<u>\$345,627</u>	<u>\$65,091</u>	<u>\$410,718</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	23,864	191,555	215,419
Total Revenues and Other Financing Sources	<u>\$369,491</u>	<u>\$256,646</u>	<u>\$626,137</u>
<u>EXPENDITURES</u>			
Salaries - Professional	0	31,033	31,033
Salaries - Non-Professional	124,963	129,081	254,044
Insurances	19,147	0	19,147
Fica, Retirement, Etc.	28,695	39,171	67,866
Purchased Services	7,925	40,254	48,179
Supplies and Materials	187,129	10,512	197,641
Capital Outlay	0	946	946
Other	1,632	5,649	7,281
Total Expenditures	<u>\$369,491</u>	<u>\$256,646</u>	<u>\$626,137</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
COMBINING BALANCE SHEET
DEBT RETIREMENT FUNDS
AS OF JUNE 30, 2008

	<u>1996</u> <u>Debt</u>	<u>2001</u> <u>Debt</u>	<u>2005</u> <u>Debt</u>	<u>2006</u> <u>Debt</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	<u>\$102,198</u>	<u>\$98,871</u>	<u>\$19,152</u>	<u>\$39,503</u>	<u>\$259,724</u>
<u>TOTAL ASSETS</u>	<u>\$102,198</u>	<u>\$98,871</u>	<u>\$19,152</u>	<u>\$39,503</u>	<u>\$259,724</u>
<u>FUND EQUITY</u>					
Reserved for Debt Retirement	<u>\$102,198</u>	<u>\$98,871</u>	<u>\$19,152</u>	<u>\$39,503</u>	<u>\$259,724</u>
<u>TOTAL FUND EQUITY</u>	<u>\$102,198</u>	<u>\$98,871</u>	<u>\$19,152</u>	<u>\$39,503</u>	<u>\$259,724</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>1996</u> <u>Debt</u>	<u>2001</u> <u>Debt</u>	<u>2005</u> <u>Debt</u>	<u>2006</u> <u>Debt</u>	<u>Total After</u> <u>Interfund</u> <u>Eliminations</u>
<u>REVENUES</u>					
<u>Local Sources</u>					
Property Taxes	\$207,138	\$593,893	\$277,473	\$530,765	\$1,609,269
Earnings Investments & Deposits	1,526	2,511	739	1,091	5,867
Total Local Sources	<u>\$208,664</u>	<u>\$596,404</u>	<u>\$278,212</u>	<u>\$531,856</u>	<u>\$1,615,136</u>
<u>EXPENDITURES</u>					
Redemption of Bonds	170,000	450,000	65,000	270,000	955,000
Interest Expense	8,500	102,512	336,984	358,867	806,863
Agent and Other Fees	400	250	286	286	1,222
Total Expenditures	<u>\$178,900</u>	<u>\$552,762</u>	<u>\$402,270</u>	<u>\$629,153</u>	<u>\$1,763,085</u>
<u>EXCESS REVENUES OVER</u> <u>(UNDER) EXPENDITURES</u>	<u>\$29,764</u>	<u>\$43,642</u>	<u>(\$124,058)</u>	<u>(\$97,297)</u>	<u>(\$147,949)</u>
<u>FUND BALANCE -</u> <u>BEGINNING OF YEAR</u>	<u>\$72,434</u>	<u>\$55,229</u>	<u>\$143,210</u>	<u>\$136,800</u>	<u>\$407,673</u>
<u>FUND BALANCE -</u> <u>END OF YEAR</u>	<u>\$102,198</u>	<u>\$98,871</u>	<u>\$19,152</u>	<u>\$39,503</u>	<u>\$259,724</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES FROM
Local Sources

Property Tax Levy	\$363,930
Earnings on Investments and Deposits	32,925
Tuition	14,341
Childcare Fees	118,254
Donations	41,405
Other Local Revenues	27,500
Total Revenues from Local Sources	<u>\$598,355</u>

State Sources

State Aid	8,611,958
At Risk	34,084
Special Education	135,786
Durant	5,741
Vocational Education	4,251
Michigan School Readiness	20,400
Golden Apple	7,301
Other State Grants	21,420
Total Revenues from State Sources	<u>\$8,840,941</u>

Federal Sources

Title I	96,336
Technology Literacy Challenge	1,811
Improving Teacher Quality	57,797
Medicaid	6,188
Title V	300
Special Education	38,409
Other Grants from ISD	1,290
Total Revenues from Federal Sources	<u>\$202,131</u>
Total Revenues	<u>\$9,641,427</u>

OTHER FINANCING SOURCES

County Special Education Tax	90,857
Other Transactions	6,096
Total Other Financing Sources	<u>\$96,953</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$9,738,380

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$1,385,081
Salaries - Non-Professional	124,384
Insurances	336,949
Fica, Retirement, Etc.	367,532
Purchased Services	10,105
Supplies and Materials	36,350
Capital Outlay	2,537
Other	50
Total Elementary	<u>\$2,262,988</u>

Middle School

Salaries - Professional	802,023
Salaries - Non-Professional	76,042
Insurances	206,561
Fica, Retirement, Etc.	214,297
Purchased Services	4,367
Supplies and Materials	30,716
Capital Outlay	3,118
Other	933
Total Middle School	<u>\$1,338,057</u>

High School

Salaries - Professional	1,071,856
Salaries - Non-Professional	104,794
Insurances	252,584
Fica, Retirement, Etc.	284,423
Purchased Services	77,298
Supplies and Materials	74,906
Capital Outlay	68,055
Other	2,396
Total High School	<u>\$1,936,312</u>

Preschool

Salaries - Non-Professional	58,370
Fica, Retirement, Etc.	14,264
Purchased Services	454
Supplies and Materials	1,820
Other	160
Total Preschool	<u>\$75,068</u>

<u>Total Basic Programs</u>	<u>\$5,612,425</u>
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LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

INSTRUCTION (Continued)

ADDED NEEDS

SPECIAL EDUCATION

Salaries - Professional	\$282,121
Salaries - Non-Professional	30,697
Insurances	57,235
Fica, Retirement, Etc.	76,476
Supplies and Materials	309
Total Special Education	<u>\$446,838</u>

COMPENSATORY EDUCATION

Salaries - Professional	46,319
Salaries - Non-Professional	46,752
Insurances	12,578
Fica, Retirement, Etc.	22,717
Purchased Services	1,522
Supplies and Materials	7,064
Total Compensatory Education	<u>\$136,952</u>

Vocational Education - High School

Purchased Services	2,889
Supplies and Materials	1,636
Total Vocational Education	<u>\$4,525</u>

Total Added Needs	<u>\$588,315</u>
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<u>Total Instruction</u>	<u>\$6,200,740</u>
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SUPPORT SERVICES

STUDENT SERVICES

Salaries - Professional	187,620
Salaries - Non-Professional	23,383
Insurances	29,148
Fica, Retirement, Etc.	51,266
Purchased Services	6,181
Supplies and Materials	241
Total Student Services	<u>\$297,839</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

SUPPORT SERVICES (Continued)

INSTRUCTIONAL STAFF

Salaries - Professional	\$63,710
Salaries - Non-Professional	42,144
Insurances	13,709
Fica, Retirement, Etc.	25,945
Purchased Services	33,129
Supplies and Materials	26,017
Other	10,892
Total Instructional Staff	<u>\$215,546</u>

GENERAL ADMINISTRATION

Board of Education

Purchased Services	44,894
Other	5,908
Total Board of Education	<u>\$50,802</u>

Executive Administration

Salaries - Professional	100,252
Salaries - Non-Professional	48,615
Insurances	19,372
Fica, Retirement, Etc.	24,448
Purchased Services	4,103
Supplies and Materials	1,527
Other	2,645
Total Executive Administration	<u>\$200,962</u>

Total General Administration	\$251,764
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SCHOOL ADMINISTRATION

Salaries - Professional	282,543
Salaries - Non-Professional	113,878
Insurances	108,002
Fica, Retirement, Etc.	109,191
Purchased Services	8,136
Supplies and Materials	2,209
Total School Administration	<u>\$623,959</u>

BUSINESS OFFICE

Salaries - Professional	67,817
Salaries - Non-Professional	35,592
Insurances	40,006
Fica, Retirement, Etc.	23,013
Purchased Services	94,127
Supplies and Materials	618
Other	54,389
Total Business Office	<u>\$315,562</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

SUPPORT SERVICES (Continued)

OPERATION AND MAINTENANCE

Salaries - Professional	\$17,980
Salaries - Non-Professional	333,542
Insurances	111,483
Fica, Retirement, Etc.	85,395
Purchased Services	128,613
Supplies and Materials	393,657
Capital Outlay	10,238
Other	222
Total Operation and Maintenance	<u>\$1,081,130</u>

TRANSPORTATION

Salaries - Professional	30,084
Salaries - Non-Professional	200,870
Insurances	14,464
Fica, Retirement, Etc.	56,596
Purchased Services	49,903
Supplies and Materials	75,617
Capital Outlay	65,922
Other	735
Total Transportation	<u>\$494,191</u>

OTHER SUPPORT SERVICES

Purchased Services	1,592
Other	3,793
Total Other Support Services	<u>\$5,385</u>

Total Support Services \$3,285,376

COMMUNITY SERVICES

Salaries - Professional	10,834
Salaries - Non-Professional	79,458
Insurances	14,269
Fica, Retirement, Etc.	21,663
Purchased Services	1,285
Supplies and Materials	5,475
Other	125
Total Community Services	<u>\$133,109</u>

TOTAL EXPENDITURES \$9,619,225

OTHER FINANCING USES

Other Transfers	3,980
Transfer to Other Funds	215,419
Total Other Financing Uses	<u>\$219,399</u>

TOTAL EXPENDITURES AND OTHER FINANCING USES \$9,838,624

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Student Activities	Due to (From) Student Groups July 1, 2007	Receipts	Disbursements	Due to (From) Student Groups June 30, 2008
High School Activities:				
AP Eng/Media	\$340	\$2,516	\$2,309	\$547
Art Fund	295	0	0	295
Class of 2000	622	0	0	622
Class of 2003	1,339	0	0	1,339
Class of 2005	2,479	0	0	2,479
Class of 2007	2,401	0	2,401	0
Class of 2008	6,817	3,054	4,185	5,686
Class of 2009	1,623	7,707	5,199	4,131
Class of 2010	175	2,179	150	2,204
Class of 2011	0	2,296	1,635	661
Cross Country	362	1,260	1,230	392
Debate	905	0	0	905
Dining w/Young Artists	17	1,277	849	445
Drama Club	1,256	3,589	4,054	791
Environmental Science	2,400	0	889	1,511
Foods	14	0	0	14
Football	393	9,470	6,408	3,455
Foreign Exchange	992	762	0	1,754
Future Farmers	2,684	11,237	13,846	75
Girls Basketball	6,867	3,888	8,998	1,757
Golf	249	1,514	0	1,763
HS Technology	913	11,688	11,436	1,165
Interest	2,958	413	196	3,175
LAPA	4,595	0	1,470	3,125
Leadership Council	199	0	0	199
Library Fines	130	5	0	135
Miscellaneous	2,297	4,365	4,633	2,029
National Honor Society	34	475	465	44
Parenthood	1,125	1,695	1,344	1,476
Patio	5,601	521	0	6,122
Pepsi	2,528	19,671	20,759	1,440
Plan/PSAT/ACT	38	1,191	1,160	69
Post Prom	769	3,512	3,581	700
Publications	8,324	47,093	43,667	11,750
Quiz Bowl	0	100	0	100
Scholarship	256	1,500	1,500	256
Science Olympiad	568	882	1,040	410
Soccer	517	100	0	617
Special Education	24	0	0	24

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Student Activities	Due to (From) Student Groups July 1, 2007	Receipts	Disbursements	Due to (From) Student Groups June 30, 2008
High School Activities (Continued):				
Stanford Trip	\$282	\$0	\$0	\$282
Student Council	3,114	79	0	3,193
Student Incentives	530	717	0	1,247
Track	1,010	0	0	1,010
Varsity Baseball	3,781	16,387	16,189	3,979
Varsity Cheerleaders	4,914	10,464	13,290	2,088
Varsity Pep Club	350	0	0	350
Varsity Softball	1,443	19,827	19,414	1,856
Vocal Music	131	775	290	616
Volleyball	405	11,155	2,427	9,133
Wolfpack Basketball	851	10,761	11,498	114
Total High School	\$79,917	\$214,125	\$206,512	\$87,530
Middle School Activities:				
6th Grade Plays	1,417	420	1,224	613
8th Grade Trip	2,394	9,946	10,245	2,095
Administrative	452	79	1	530
Box Tops	115	355	362	108
Calculators	132	0	0	132
Donations	2,333	1,915	337	3,911
Horticulture Club	186	0	57	129
Jr. FFA	723	0	33	690
Jr. Wolves	228	1,144	1,342	30
Library	406	2,822	2,948	280
Science Olympiad	1,686	4,362	5,059	989
Student Council	3,035	4,161	4,015	3,181
Summer Math Pkts	144	585	600	129
Talent Show	355	0	0	355
TALK/PALS	1,142	2,446	2,281	1,307
Technology	45	5	0	50
Yearbook	100	0	0	100
Total Middle School	\$14,893	\$28,240	\$28,504	\$14,629

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Student Activities	Due to (From) Student Groups July 1, 2007	Receipts	Disbursements	Due to (From) Student Groups June 30, 2008
Elementary Activities:				
After School Enrichment	\$1,248	\$0	\$0	\$1,248
Bank Fees	171	171	0	342
Blank Book Money	105	0	0	105
Box Tops	2,579	1,304	1,758	2,125
Donation to Library	828	13	0	841
ECEC Account	891	3,945	3,944	892
Fifth Grade Field Trip	56	5,248	5,290	14
First Grade	8	1,078	1,083	3
Fourth Grade	267	3,237	3,301	203
Human I Tees	42	0	0	42
Juice Machine	3,596	3,009	2,604	4,001
Library Fund Raiser	4,705	175	0	4,880
Lifetouch/Backpack	0	579	0	579
Maxies Book Club	5,223	12,731	12,619	5,335
Meijer	1,004	213	0	1,217
Pencil Fund	982	677	563	1,096
Popcorn	1,914	1,840	982	2,772
Second Grade	0	1,902	1,792	110
Student Scholarship	1,165	4,709	4,862	1,012
Target	2,094	135	0	2,229
Tech Workshop	0	1,318	1,318	0
Third Grade	181	0	0	181
Toner	234	0	0	234
Verizon	310	76	334	52
Yearbook	1,908	0	292	1,616
Yo Yo	36	0	0	36
Total Elementary	<u>\$29,547</u>	<u>\$42,360</u>	<u>\$40,742</u>	<u>\$31,165</u>
<u>TOTALS</u>	<u>\$124,357</u>	<u>\$284,725</u>	<u>\$275,758</u>	<u>\$133,324</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
SCHOLARSHIP FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

<hr/> <hr/>		
	<u>MARGARET SCOUTTEN SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2007</u>		\$25,589
<u>REVENUE</u>		
Interest		1,837
Donations		300
Total Revenue		<u>\$2,137</u>
<u>EXPENDITURES</u>		
Scholarship Awards		<u>1,500</u>
<u>BALANCE - JUNE 30, 2008</u>		<u><u>\$26,226</u></u>
	<u>RAYMOND O. NASH MEMORIAL FUND</u>	
<u>BALANCE - JULY 1, 2007</u>		\$18,328
<u>REVENUE</u>		
Interest		<u>1,490</u>
<u>BALANCE - JUNE 30, 2008</u>		<u><u>\$19,818</u></u>
	<u>ALL SCHOLARSHIP FUNDS</u>	
<u>BALANCE - JUNE 30, 2008</u>		<u><u>\$46,044</u></u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE - MAY 15TH</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
2009	\$3,195	4.761353%	\$837	\$4,032
2010	19,675	4.761353%	7,411	27,086
2011	3,506	4.761353%	525	4,031
2012	3,673	4.761353%	358	4,031
2013	3,848	4.761353%	183	4,031
<u>TOTAL</u>	<u>\$33,897</u>		<u>\$9,314</u>	<u>\$43,211</u>

2001 SCHOOL BUILDING & SITE BONDS

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2008-2009	\$450,000	4.300%	\$315,325	\$315,325	\$1,080,650
2009-2010	450,000	4.400%	305,650	305,650	1,061,300
2010-2011	475,000	4.450%	295,750	295,750	1,066,500
<u>TOTAL</u>	<u>\$1,375,000</u>		<u>\$916,725</u>	<u>\$916,725</u>	<u>\$3,208,450</u>

2005 REFUNDING BONDS

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2008-2009	\$65,000	3.000%	\$167,740	\$167,740	\$400,480
2009-2010	70,000	3.500%	166,765	166,765	403,530
2010-2011	70,000	3.500%	165,540	165,540	401,080
2011-2012	75,000	3.500%	164,315	164,315	403,630
2012-2013	565,000	4.000%	163,003	163,002	891,005
2013-2014	565,000	4.000%	151,702	151,703	868,405
2014-2015	565,000	4.000%	140,403	140,402	845,805
2015-2016	565,000	4.000%	129,102	129,103	823,205
2016-2017	565,000	4.000%	117,803	117,802	800,605
2017-2018	565,000	4.250%	106,502	106,503	778,005
2018-2019	565,000	4.250%	94,496	94,496	753,992
2019-2020	565,000	4.250%	82,490	82,490	729,980
2020-2021	565,000	4.250%	70,484	70,484	705,968
2021-2022	565,000	4.000%	58,478	58,477	681,955
2022-2023	565,000	4.125%	47,177	47,178	659,355
2023-2024	565,000	4.125%	35,524	35,524	636,048
2024-2025	565,000	4.200%	23,871	23,871	612,742
2025-2026	565,000	4.250%	12,006	12,006	589,012
<u>TOTAL</u>	<u>\$8,190,000</u>		<u>\$1,897,401</u>	<u>\$1,897,401</u>	<u>\$11,984,802</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

2006 REFUNDING BONDS

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2008-2009	\$410,000	4.000%	\$174,163	\$174,162	\$758,325
2009-2010	410,000	4.000%	165,962	165,963	741,925
2010-2011	410,000	4.000%	157,763	157,762	725,525
2011-2012	410,000	5.000%	149,562	149,563	709,125
2012-2013	410,000	5.000%	139,313	139,312	688,625
2013-2014	415,000	5.000%	129,062	129,063	673,125
2014-2015	415,000	5.000%	118,688	118,687	652,375
2015-2016	415,000	5.000%	108,312	108,313	631,625
2016-2017	415,000	4.000%	97,938	97,937	610,875
2017-2018	415,000	4.000%	89,637	89,638	594,275
2018-2019	415,000	4.000%	81,338	81,337	577,675
2019-2020	415,000	4.000%	73,037	73,038	561,075
2020-2021	415,000	4.000%	64,738	64,737	544,475
2021-2022	0	0.000%	56,437	56,438	112,875
2022-2023	0	0.000%	56,438	56,437	112,875
2023-2024	0	0.000%	56,437	56,438	112,875
2024-2025	0	0.000%	56,438	56,437	112,875
2025-2026	0	0.000%	56,437	56,438	112,875
2026-2027	525,000	4.250%	56,438	56,437	637,875
2027-2028	525,000	4.250%	45,281	45,281	615,562
2028-2029	525,000	4.250%	34,125	34,125	593,250
2029-2030	525,000	4.375%	22,969	22,969	570,938
2030-2031	525,000	4.375%	11,484	11,484	547,968
<u>TOTAL</u>	<u>\$7,995,000</u>		<u>\$2,001,997</u>	<u>\$2,001,996</u>	<u>\$11,998,993</u>



October 9, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Laingsburg Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laingsburg Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the Laingsburg Community Schools' basic financial statements and have issued our report thereon dated October 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Laingsburg Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Laingsburg Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Laingsburg Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Laingsburg Community Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Laingsburg Community Schools' financial statements that is more than inconsequential will not be prevented or detected by the Laingsburg Community Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Laingsburg Community Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laingsburg Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Laingsburg Community Schools
Page 2
October 9, 2008

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf, P.C.
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS